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Tobacco Industry Profile 1987

Prepared by

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All data for calendar year 1986, unless otherwise stated

■ Consumption

Total U.S. consumption including overseas armed forces was:

- **584 billion cigarettes**
- **3.1 billion large cigars and cigarillos**
- **966 million little cigars**
- **24.4 million pounds of pipe and roll-your-own tobacco**
- **78.7 million pounds of chewing tobacco**
- **46.7 million pounds of snuff**

The output of cigarettes from U.S. factories was 652 billion. Of the total, 7.2 billion cigarettes were shipped to overseas forces, 800 million to Puerto Rico and other U.S. possessions and 65 billion to other countries.

Per-capita U.S. cigarette consumption, based on population 18 and over, was 3,274. Record high was 4,345, in 1963.

■ Expenditures

U.S. expenditures for tobacco products were estimated at $33.7 billion, a record high and an increase of more than $1.7 billion over 1985. More than $31.8 billion, or 94.5 percent of the money spent for tobacco products, was for cigarettes.

■ World Production

World production of tobacco was estimated at 6.5 million metric tons, a slight increase from 1985.

The leading leaf producing nations in 1986 were: People's Republic of China (2,146,200 metric tons), U.S. (540,000), India (480,000), Brazil (384,000), USSR (381,000), Turkey (180,000), Italy (158,000), Greece (150,460), Bulgaria (140,000), Japan (124,900), Indonesia (125,093), Zimbabwe (116,322), Burma (115,080) and Poland (110,000).

■ U.S. Tobacco Production

Tobacco Growers

Tobacco was grown on more than 180,000 farms in 23 American states and in Puerto Rico. The federal government issued 506,355 allotments to grow tobacco in 1986. The allotment total is larger than the number of farms because some farms are given allotments for more than one type of tobacco.

The acreage harvested was 597,200, a 13 percent decrease from 1985, with a record high yield of 2,006 pounds per acre. The total U.S. harvest was 1.2 billion pounds, 21 percent below 1985.

The types of tobacco grown in 1986 include flue-cured, 643 million pounds; burley, 440.2 million; Southern Maryland, 30.9 million; fire-cured 38.2 million; dark air-cured, 11.2 million; and all cigar types, 34.3 million.

Tobacco growing requires about 250 man-hours of labor per acre harvested. By comparison, it takes about three man-hours to grow and harvest an acre of wheat. The more than one-half million farm families involved directly and indirectly in producing tobacco in the U.S. were aided by additional seasonal workers.

Tobacco Sales

Nearly all of the nation's tobacco was sold at auction in 163 designated markets. The small remainder was sold directly from farms or by farmers' cooperatives.

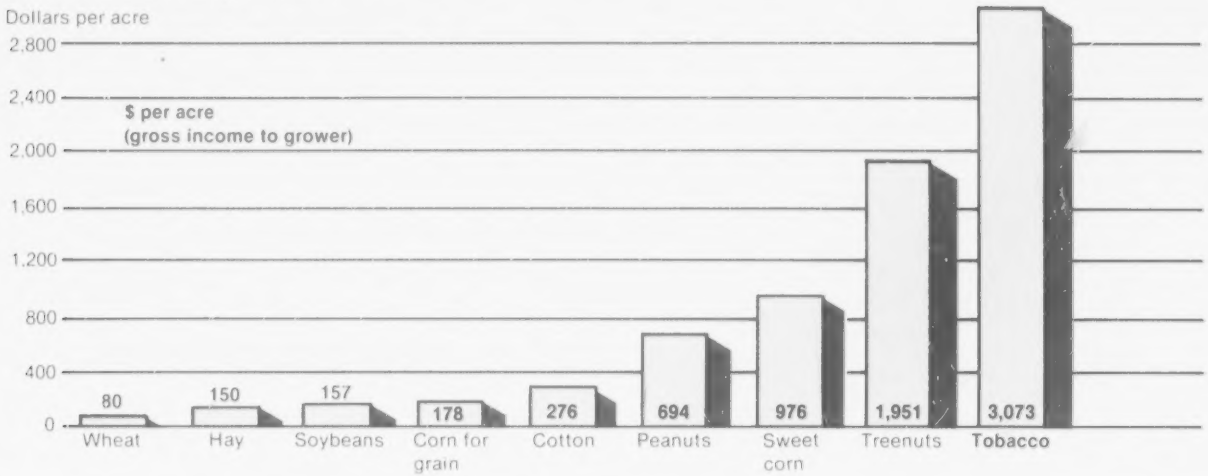
The average price of the 1986 crop was $1.53 per pound, an 11.5-cent decrease from 1985.

Crop Income

Tobacco was the sixth largest cash crop, behind corn, soybeans, hay of all kinds, wheat and cotton. The tobacco crop was worth

Farm Value per Acre for Selected Crops, 1986

Statistical Reporting Service, USDA



more than $1.9 billion, representing 3 percent of the total for all cash crops and farm commodities. Estimates of these cash receipts from the 1986 tobacco crop were:

	(millions of dollars)		
North Carolina	682	Florida	22
Kentucky	514	Indiana	20
Tennessee	143	Connecticut	20
Virginia	112	Pennsylvania	17
South Carolina	111	Wisconsin	15
Georgia	107	Missouri	8
Maryland	32	Massachusetts	6
Ohio	23	West Virginia	4

Tobacco is also grown in Alabama, Arkansas, Illinois, Kansas, Louisiana, Minnesota, New Mexico and the Commonwealth of Puerto Rico.

■ Manufacturing

Factories

In FY 1986, 129 factories in 20 states had federal permits to manufacture tobacco products. The concentration was in the southeast and mid-Atlantic states.

In FY 1986, 241 warehouses in 32 states were authorized by the U.S. government to export tobacco. Federal permits to manufacture cigarette papers and tubes were issued to 10 establishments in 6 states.

Employment

An estimated 61,400 persons were employed in tobacco manufacturing during 1986 on a monthly average basis, representing hundreds of millions in payroll dollars. The 46,000 on the production lines in the average month earned $480.15 a week for a 37.6 hour week.

Of all the manufacturing employees, about 71 percent, or approximately 43,300 were employed by cigarette manufacturers. Over two-thirds of the production workers, or 32,000 employees, were involved in cigarette-making. The rest worked in other aspects of tobacco manufacture, including stemming and redrying the leaf.

■ Distribution and Sales

Retail

An estimated 939,000 retail outlets distributed tobacco products. This included 698,148 individual vending machines, plus family-owned stores, and tobacco departments of large chain-operated stores. Related employment numbered in the millions.

Wholesale

About 6,300 wholesalers, including 1,895 primary tobacco wholesalers with nearly 35,300 employees, distributed tobacco products in 1982, the latest year available. In 1986, wholesale value of tobacco products was an estimated $27.3 billion. Cigarettes accounted for about $25.9 billion, cigars about $500 million and chewing, pipe and roll-your-own tobacco and snuff approximately $900 million. Other smokers' articles, such as pipes, accounted for hundreds of millions more dollars.

■ Supply Network

Related Industries

Dependence on a complex industrial and service network greatly extended the contributions of tobacco to the nation's economy. The need for farm and manufacturing materials, supplies and equipment as well as services ranging from transportation to advertising provided employment for additional millions and

added billions of dollars to personal and business income in all the states.

Exports and Imports

The U.S. was the leading exporter and importer of tobacco. In 1986, the value of U.S. exports of leaf and manufactured tobacco products was $2.7 billion, 4 percent below 1985. Imports were valued at approximately $601.8 million, an increase of 6 percent. The difference represented a positive contribution of $2.06 billion to the U.S. balance of payments in calendar year 1986, a 4 percent decrease from the previous year.

Leaf

Approximately 214,012 metric tons of unmanufactured leaf tobacco valued at more than $1.2 billion were exported. Leading markets for U.S. leaf were Japan, Italy, West Germany and the Netherlands.

Imports of unmanufactured leaf totaled 206,576 metric tons—up 2 percent from 1985—and were valued at $595.4 million, a 10 percent increase from 1985.

About 39 percent of the leaf imported, or 80,394 metric tons, was oriental, for use in domestic cigarettes. Turkey continued to be the major supplier of oriental leaf, followed by Brazil, Greece and Canada.

Products

The value of exported manufactured products in 1986 was $1.5 billion, up slightly from 1985. The value of imported manufactured products, at $77.4 million, was up 5.2 percent.

Cigarettes

More than 63.9 billion cigarettes were exported in 1986 to 109 countries, up 8 percent in quantity from 1985. They were valued at $1.3 billion. The leading destinations were Belgium-Luxembourg, Japan, Hong Kong, Saudi Arabia and Singapore.

About 1,269 metric tons of foreign cigarettes valued at $16.1 million were imported.

Other Products

Cigar, cheroot and little cigar exports included 79.9 million units, valued at $5.1 million.

About 1,305 metric tons of foreign cigars and cheroots were imported with a value of $45 million.

Exports of pipe and roll-your-own tobacco in bulk increased nearly 77 percent to 24,150 metric tons with a value of $1.7 billion, a 75 percent increase from 1985. Exports also included 616 metric tons of snuff and chewing tobacco worth $3.5 million—down 15 percent in quantity and 14 percent in value from 1985.

Imports of packaged smoking tobacco came to 1,525 metric tons valued at $16.4 million.

Shipping

Over 97% of all leaf tobacco exported was shipped from the East. Major custom district ports were:

	Metric Tons	Value (millions)
Norfolk	50,452	335.2
Wilmington, NC	38,469	222.2
Charleston, SC	5,849	33.7
Baltimore	2,838	19.4
Savannah	1,319	6.9
Los Angeles	918	7.7
San Francisco	772	5.3
Seattle	638	4.8
Buffalo	249	1.5
Miami	247	1.8

Cigarettes accounted for 87% of the value of manufactured tobacco products exported. Major ports shipping cigarettes overseas were:

	Units (billions)	Value (millions)
Norfolk	29.5	661.8
San Francisco	8.8	162.7
Charleston	4.4	87.1
Los Angeles	5.7	83.5
Baltimore	3.2	69.3
Miami	2.1	36.3
Wilmington	1.1	22.8

Government Receipts from Taxes

Tobacco Taxes

About 31 percent of the receipts from domestic civilian retail sales of tobacco products went to federal, state and local treasuries in the form of excise and sales taxes. These totaled more than $10.5 billion in FY 1986 (ending June 30).

Federal, state and local governments collected nearly $9.3 billion alone in excises on all tobacco products in FY 1986. Cigarette taxes represented 99 percent, or $9.2 billion.

Federal, state and local excises on other tobacco products totaled $1.2 billion.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over $193.6 billion in tobacco taxes. Cigarettes have accounted for 95.6 percent of that, or $185.2 billion.

Federal

The federal government's share was $4.5 billion. Cigarette taxes accounted for 99.2 percent. About $37.4 million in taxes on other tobacco products were collected.

State

All states imposed excises on cigarettes; 24 also taxed cigars and smoking or chewing tobacco, snuff or a combination.

Total state tobacco taxes revenue in FY 1986 was $4.5 billion, nearly 99 percent of which came from cigarette excises. About $31.7 million was collected on other tobacco products. The states' cigarette excises ranged from 2 to 31 cents per pack.

Local

Tobacco taxes in 385 cities and counties yielded $198.9 million in FY 1986. Of that amount, $198.7 million, or 99.9 percent, resulted from taxes on cigarettes. Forty-one local governments also collected $262,468 from taxes on other tobacco products.

■ Government Tobacco Programs

Farm Quotas

USDA continued in 1986 to administer laws to stabilize tobacco production and assure the grower fair prices. Most tobacco farmers, through periodic referenda, favored marketing quotas. Because of the production controls, less tobacco was produced and prices were higher than would be likely without them.

Loans

With grower approval of marketing quotas for a tobacco type, price supports for it were mandatory. Under the program, the Commodity Credit Corporation (CCC) made loans to farmers through their cooperative associations, with the tobacco as collateral. The associations handled and sold the tobacco, repaying loans as the tobacco was sold. The realized cost of the tobacco program since its start in 1933 was about .1 percent of the cost for all 13 farm commodity price support programs. In FY 1986, loan repayments totaled $361 million, while new loans totaled $107 million, which is expected to be repaid with interest to CCC as the collateral tobacco is sold by the associations.

In 1982 Congress revised the price support program—requiring tobacco farmers to pay into a fund to offset any losses—to assure that its continued operation will be at no cost to the American taxpayer.

Grading

USDA's Agricultural Marketing Service (AMS) inspected and graded all tobacco before auction. Government grade standards were the basis for CCC loans. Beginning in FY 1982, tobacco farmers paid user fees for grading. In FY 1986, AMS collected $8.5 million from tobacco farmers. Daily market news reports informed growers of prices and market conditions. This service cost $576,000 in FY 1986.

■ Tobacco's Contribution to America's National Economy

In 1985, Chase Econometrics performed an analysis of the U.S. tobacco industry to determine its impact on America's economy during 1983.

This study showed that the tobacco core sectors and supplier industries generated $31.5 billion of the Gross National Product in 1983 and employed 710,000 workers to produce and deliver tobacco products and associated goods and services.

The tobacco industry's spending-induced impact on America's GNP was $50.6 billion—nearly twice the expenditures on tobacco products alone. This impact was generated by tobacco industry workers' expenditures on goods and services of other, non-tobacco, business sectors throughout the U.S.

The study showed, in 1983, tobacco industry activities in all 50 states resulted in:

1983

	Core and Supplier	Spending-Induced
• GNP	$31.5 billion	$50.6 billion
• Jobs	710,000	1,590,000
• Compensation	$14.1 billion	$30.9 billion
• Capital Investment	$1.3 billion	$20.5 billion
• Federal, state and local taxes	$15.7 billion	$14.2 billion

SOURCES: U.S. Department of Agriculture: Agricultural Marketing Service and Financial Management Division; Agricultural Stabilization and Conservation Service, *History of Budgetary Expenditures of the Commodity Credit Corporation Fiscal Year 1980-1986 actual*; Economic Research Service, *Tobacco Outlook and Situation*; Foreign Agricultural Service, *World Tobacco Situation*; Statistical Reporting Service, *Crop Production 1986 Summary, Crop Values 1986 Summary, Noncitrus Fruits and Nuts 1986 Mid-Year Supplement*.

U.S. Department of Commerce: Bureau of the Census, U.S. Exports *EA-622*.

U.S. Department of Labor: Bureau of Labor Statistics, *Supplement to Employment and Earnings*.

U.S. Department of Treasury: Bureau of Alcohol, Tobacco and Firearms.

Chase Econometrics, 150 Monument Road, Bala Cynwyd, PA 19004.

The Tobacco Institute: *The Tax Burden on Tobacco, Vol. 21, 1986*, 1875 I Street NW, Washington, DC 20006.

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